

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 8042

BILL NUMBER: SB 527

DATE PREPARED: Jan 17, 2001

BILL AMENDED:

SUBJECT: Consolidation of school funds.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues			
State Expenditures		58,000,000	118,000,000
Net Increase (Decrease)		(58,000,000)	(118,000,000)

Summary of Legislation: This bill abolishes school corporation transportation funds and capital projects funds, effective January 1, 2002. It provides that amounts may be expended from school corporation general funds for any purposes formerly allowed under the transportation funds or capital project funds. The bill provides that on January 1, 2002, any balances in a school corporation's transportation fund or capital projects fund shall be transferred to the general fund. This bill provides that after a school corporation's maximum general fund property tax levy is determined under the existing levy limit and school funding provisions, that levy is increased by an amount equal to: (1) the amount of the levy that would result from the property tax rate imposed by the school corporation in 2001 for the capital projects fund; plus (2) an amount equal to the school corporation's former levies for transportation operating costs and school bus replacement purposes, as adjusted by an assessed valuation growth factor. It also makes conforming amendments.

Effective Date: July 1, 2001; January 1, 2002.

Explanation of State Expenditures: The state's expenditures for property tax replacement credits (PTRC) will increase under this bill. PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional PTRC expenditures would ultimately come from the General Fund.

Currently the state pays PTRC on school General Funds and Transportation Funds, but does not pay PTRC on school Capital Project Funds (CPF). The bill consolidates the three funds into the school General Fund. The bill would provide PTRC for the CPF levy when the levy amount becomes part of the General Fund. The CPF levies for CY 2000 were about \$536 M. The projected CPF levies for CY 2002 are about \$580 M. The increase in expense is approximately \$116 M for CY 2002 and \$120 M for CY 2003. The impact for FY 2001-02 reflects the estimated expenditures for the first six months of CY 2002 and the FY 2002-03 impact is ½ of the CY 2002 and CY 2003 impacts.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: The local schools may experience a decrease in property tax revenue due the consolidation. The CPF portion of the General Fund levy is equal to the CY 2001 CPF rate, adjusted to reflect reassessment, times the current assessed valuation for the school corporation. The average growth of CPF levies over the last four years was about 7.2% while the average growth in assessed valuation was 3.5%. Currently schools can levy what they need to fund their CPF plan subject to the \$1.25 maximum rate adjusted for reassessment. Many schools have been below the maximum rate for CPF but have had aggressive CPF plans so their growth has been greater than the growth in their assessed valuation. In the future with the rate set at the CY 2001, the amount will grow at the same rate as the school's assessed valuation.

Local schools will receive more revenue from the state in the form of additional PTRC, but there will be a corresponding decrease in the local taxpayers' property tax bill.

State Agencies Affected: State Board of Tax Commissioners

Local Agencies Affected: Local School Corporations, Counties

Information Sources: Department of Education databases